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 Stephen M. Reynolds CSB148902  
**Reynolds Law Corporation**  
 424 Second Street, Ste. A  
 Davis, CA 95616  
 530 297 5030 telephone  
 530 297 5077 facsimile  
sreynolds@lr-law.net email

Attorneys for Debtor and  
 Debtor-in-Possession  
 Response 1 Medical Staffing, Inc.

UNITED STATES BANKRUPTCY COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 SACRAMENTO DIVISION

In Re:	)	Case No. 15-22618-B-11
	)	
Response 1 Medical Staffing, Inc.	)	DCN: RLC-1
	)	Date: April 2, 2015
	)	Dept: E
	)	Time: 3:00 p.m.
	)	Ctrm: 33
Debtor	)	6 <sup>th</sup> Floor, U.S. Courthouse
	)	501 I Street, Sacramento
	)	Judge: Sargis

**DEBTOR'S MOTION FOR AUTHORITY TO USE CASH COLLATERAL**

Debtor and Debtor in Possession Response 1 Medical Staffing, Inc. ("Debtor") hereby requests authority to use cash collateral and respectfully represents as follows:

1. On March 31, 2015 (the "Petition Date"), Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code ("Bankruptcy Code"). Since the Petition Date, Debtor has continued in possession of its assets and has continued to manage its financial affairs as a debtor in possession.
2. Debtor is engaged in the business of providing nurses to various hospitals and health care providers ("Hospital") for a limited term appointment. Terms of 13 weeks are typical and Debtor often provides travel and housing accommodations for the visiting nurses. Typically a nurse is recruited from another part of the

United States and travels to the Hospital, housing is arranged nearby. Debtor's business office located at 1101 Investment Boulevard, Suite 140, El Dorado Hills, California. Debtor typically obtains payment hospitals and health care providers. Payment is provided after services are provided. Debtor pays the visiting nurse weekly on an hourly basis after the nurse provides services to the Hospital. Debtor bills the Hospital for the hours worked and is typically paid fifteen to thirty days later.

3. The following creditors (collectively the "Secured Creditors") of the Debtor may assert a security interest in certain personal property of the Debtor:

Party	Type
a. Westamerica Bank	UCC-1
b. Internal Revenue Service	Tax Lien

Secured Creditors' respective security interests may extend to accounts receivable, equipment, cash on hand and general intangibles.

4. It is vital and necessary for the continued operation of Debtor's business to use cash on hand, accounts receivable, equipment and general intangibles on an ongoing basis. Accounts receivable received by the Debtor post-petition, as well as money currently held by the Debtor, may be considered "cash collateral" as defined in section 363 of the Bankruptcy Code.
5. It is imperative that the Debtor be allowed the use of this cash collateral so that it may pay wages, provide travel and housing accommodations to visiting nurses, and basic overhead expenses incurred post-petition for the running of its business. This will permit the Debtor to rehabilitate and reorganize its financial affairs and its business pursuant to Chapter 11 of the Bankruptcy Code.
6. The use of cash collateral by the Debtor to pay wages, travel and housing accommodations and general overhead will permit the Debtor to continue to perform on existing work and generate new work, which will in turn generate post-petition accounts receivable that would not be otherwise be available to the

1 Debtor's estate. Debtor anticipates that by using the cash collateral it will generate  
2 post-petition accounts receivable and/or accumulated cash sufficient to provide  
3 adequate protection to the Secured Creditors for the Debtor's use of the cash  
4 collateral. See Declaration of Tyler Covey, Chief Financial Officer, submitted  
5 herewith.

- 6 7. Through this motion, Debtor offers a portion of the accounts receivable, equipment  
7 and accumulated cash it will generate post-petition as replacement collateral to the  
8 Secured Creditors, to the extent that Secured Creditors' collateral is diminished  
9 from the Debtor's use of cash collateral. The replacement liens on post-petition  
10 accounts receivable, equipment and cash shall be of the same scope, in the same  
11 priority, and subject to the same infirmities and defenses as existed pre-petition.  
12 These post-petition liens will adequately protect the Secured Creditors' respective  
13 interests in the cash collateral used by the Debtor. Debtor anticipates filing  
14 another motion to approve financing with a new post-petition lender.
- 15 8. As noted above, the Debtor generates new accounts receivable and receives  
16 payments on an ongoing basis. If the Debtor were unable to use cash collateral it  
17 would be unable to continue to pay existing visiting nurses or recruit new nurses.  
18 Business operations and the collection of existing accounts receivable as well as  
19 generation of new accounts receivables and cash require ongoing operations.
- 20 9. Debtor requests the Court allow the use of cash collateral with the provision that it  
21 be required to maintain accounts receivable and cash (the "Collateral Base") as  
22 same existed on the Petition Date, within a fifteen percent (15%) variance.<sup>1</sup> See  
23 Table attached to Declaration of Tyler Covey. Debtor projects that the percentage  
24 of loan to collateral will be at thirty two percent by September 2015.

25  
26 **WHEREFORE**, Debtor requests that the court enter an order authorizing the  
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<sup>1</sup> Debtor proposes a \$45,000 payment to Westamerica Bank in the first month after filing.

Debtor to use cash collateral pursuant to the terms set forth herein, and for such  
other and further relief as the court deems proper.

Dated: March 31, 2015

Respectfully submitted,



By: /s/ Stephen M. Reynolds

Stephen M. Reynolds

Attorneys for Response 1 Medical Staffing, Inc.